

Message Text

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14

ACTION NEA-12

INFO OCT-01 ISO-00 L-03 CIAE-00 INR-10 NSAE-00 RSC-01

USIA-15 PRS-01 PA-04 EB-11 COME-00 OMB-01 DRC-01 /060 W

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FM AMEMBASSY COLOMBO

TO SECSTATE WASHDC 0000

AMCONSUL BOMBAY

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E.O. 11652: N/A

TAGS: ETRD, CE

SUBJ: POSSIBLE EXCLUSION OF AMERICAN MOTION PICTURE FILMS FROM
SRI LANKA THEATERS

REF: COLOMBO 1769 (JUNE 27, 1972)

1. SUMMARY: WITH YEAR-END EXPIRATION APPROACHING, NEGOTIATIONS FOR EXTENSION OF CONTRACTS WITH AMERICAN FILM PRODUCERS FOR SHOWING OF AMERICAN FILMS IN SRI LANKA CONTINUE TO TURN ON GSL DESIRE TO CONTROL ALL IMPORATION AND DISTRIBUTION FUNCTIONS PREVIOUSLY HANDLED BY THEATER OPERATORS AND AMERICAN FILM PRODUCERS AGENTS. GSL ALSO OPPOSES "PACKAGE" OFFERINGS AND APPEARS LESS ANXIOUS THAN LAST YEAR TO REACH SETTLEMENT. GSL CLAIMS AMERICAN FILMS IT WANTS AVAILABLE ALTERNATE SOURCES. PROSPECTS UNCERTAIN FOR AMERICAN FILMS APPEARING SRI LANKA THEATERS AFTER DEC 31, 1973, BUT STATE FILM CORP (SFC) NOTIFICATION TO US THAT NEGOTIATIONS TO RESUME OCT 25 IN COLOMBO MAY INDICATE FILM PRODUCERS COULD YET ACCEDE TO GSL DEMANDS. END SUMMARY.

2. LENGTHY NEGOTIATIONS BETWEEN GSL STATE FILM CORP (SFC) AND KINEMATOGRAPH RENTERS SOCIETY (KRS) OF BOMBAY (EXCLUSIVE AGENT FOR MOTION PICTURES EXPORT ASSOCIATION OF AMERICA - MPEA) FOR RENEWAL OF
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CONTRACT EXPIRING END OF 1973 HAVE HERETOFORE PROVEN

INCONCLUSIVE. CONTRACT COVERS RENTAL AND DISTRIBUTION AMERICAN FILMS IN SRI LANKA. SFC HAS REFUSED MPEA POLICY REQUIREMENT THAT FILM IMPORATION AND DISTRIBUTION REMAIN UNDER MPEA CONTROL WITHOUT WHICH MPEA STATES SRI LANKA OPERATIONS UNPROFITABLE. SFC ALSO RESISTS CONTINUED PURCHASE OF "PACKAGES" OF FILMS, PREFERRING RENTAL/PURCHASE ON ITEM-BY-ITEM BASIS. MPEA ALSO OPPOSES THIS BUT ISSUE IS SECONDARY TO IMPASSE OVER EXCLUSIVE SFC CONTROL OF IMPORATION/DISTRIBUTION.

3. SFC'S POSITION REMAINS THAT NATIONALIZATION OF IMPORATION AND DISTRIBUTION FUNCTIONS BASED ON LEGISLATION AND NOT SUBJECT TO NEGOTIATION. FURTHERMORE, DECREASED FOREIGN EXCHANGE BUDGET AND SOME OFFICIAL SENSITIVITY TO SEX/VIOLENCE ISSUE INDICATE REDUCED ROLE FOR AMERICAN FILMS IN FUTURE. LAST YEAR SVC NEGOTIATED INTERIM FACE-SAVING COMPROMISE FOR 1973 UNDER WHICH MPEA CONTINUES IMPORATION/DISTRIBUTION FUNCTIONAS AS "AGENT" OF SFC. SFC MAY NOW BELIEVE EASTERN EUROPEAN OFFERINGS (PURCHASABLE IN SRI LANKA RUPEES), INDIAN FILMS, AND EXPECTED DEVELOPMENT OF LOCAL INDUSTRY SUFFICIENT TO SATISFY PUBLIC OPINION. SFC ALSO CLAIMS ACCESS TO AMERICAN FILMS THROUGH UNDISCLOSED ALTERNATIVE SOURCE.

4. MPEA BELIEVES SFC'S POSITION DENIES POSSIBILITY SUITABLE PROFITS AND ESTABLISHES DANGEROUS PRECEDENT FOR MPEA'S CONTRACTS ELSEWHERE. PROSPECTS ARE DIM FOR SUBSTANTIAL BUSINESS SINCE FOREIGN EXCHANGE REMITTANCE RESTRICTIONS REDUCE VALUE OF ANY FUTURE CONTRACT. MPEA ALREADY HAS BLOCKED ACCOUNT OF ABOUT \$300,000 US FOR PAYMENTS MADE IN RUPEES.

5. COMMENT: ALTHOUGH PROBLEMS AFFECTING SFC-MPEA RELATIONSHIP ARE SIMILAR TO THOSE FACED IN NEGOTIATING JULY 1972 CONTRACT (REFTEL), CONDITIONS LESS FAVORABLE NOW AND GOVT-INSPIRED PRESS HAS RECENTLY CRITICIZED AMERICAN FILMS AS UNSUITABLE FOR SRI LANJ. NEGOTIATIONS NOW EXPECTED TO RESUME NEXT WEEK WHEN KRS REP DUE IN COLOMBO. SFC BELIEVES KRS WILLINGNESS TO RESUME NEGOTIATIONS MAY INDICATE KRS WILL ACQUIESCE TO SFC LIMITED OFFICIAL USE

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CONTROL IF IMPORATION AND DISTIBUTION.

6. FOR BOMBAY: WOULD BE HELPFUL IF YOU COULD CHECK DIRECTLY WITH KRS ON THEIR VIEW OF POSSIBILITIES FOR COMPROMISE IN LIGHT OF RESUMPTION OF NEGOTIATIONS. VAN HOLLEN

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